



County of Los Angeles CHIEF EXECUTIVE OFFICE

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WILLIAM T FUJIOKA
Chief Executive Officer

August 30, 2013

To: Supervisor Mark Ridley-Thomas, Chairman
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

A handwritten signature in blue ink, appearing to read "W. Fujioka", is written over the printed name and title.

Board of Supervisors
GLORIA MOLINA
First District

MARK RIDLEY-THOMAS
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

ONLINE REALTIME CENTRALIZED HEALTH INFORMATION DATABASE (ITEM NO. 21, AGENDA OF AUGUST 27, 2013)

In a memo to your Board, dated August 23, 2013, we addressed your concerns regarding the estimated costs of the Online Realtime Centralized Health Information Database (ORCHID) and accuracy of funding requests. This is to address additional concerns presented to our office regarding the reported increase in ORCHID capital infrastructure costs. Your specific concerns were as follows:

- the role and involvement of the County Chief Information Officer (CIO) in the development of the overall ORCHID project;
- the timing of the involvement of the Department of Public Works (DPW) and the Chief Executive Office (CEO), Capital Projects Division; and
- the impact of the new capital infrastructure cost estimate on the overall ORCHID budget.

The CIO was involved with the development of the ORCHID project from its inception, playing a key role in developing the concept for the database, Request for Proposals (RFP), and vendor selection. The CIO did not participate, however, in the capital project planning elements of the ORCHID project.

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CEO and DPW Involvement

Neither the CEO's Capital Projects Division nor DPW participated in the planning or development of the ORCHID project. The CEO's Capital Projects Division was approached to assist in the development of a financing plan for the project as the terms of the contract with the Cerner Corporation (Cerner) were being finalized. DPW's assistance in reviewing the capital infrastructure elements and DHS' preliminary cost estimates was requested subsequent to the Board's approval of the DHS contract with Cerner.

In a standard project development process, the CEO's Capital Projects Division and DPW are involved from the initiation of a project's development to fully assess and understand the potential impact on building infrastructure. In the case of the ORCHID project, however, the stringent deadlines to qualify for incentives offered under the 2009 American Recovery and Reinvestment Act diverted DHS's focus to finalizing and obtaining Board approval of the Cerner contract for development of the system. As a result, the capital infrastructure cost estimates were not validated prior to the Board's approval of the Cerner contract and original project budget.

Revised Cost Estimate

Subsequent to the Board's approval of DHS contract with Cerner, the CEO and DPW were engaged to review the capital project elements. DPW engaged consultants to validate the scope of the proposed capital improvements and cost estimates. This assessment revealed that DHS' initial estimates were based upon the power and connectivity requirements of the system's equipment. The estimate did not reflect construction-oriented requirements such as design fees, permits, materials consultant fees, jurisdictional review fees, hazardous material abatement costs, emergency power requirements, and inspection and project management costs. In addition, the original estimate did not consider the complexity of working in operating facilities and the cost to mitigate concerns related to infection control and work in older facilities.

As we stated in the prior memo, inclusion of such elements into the assessment performed by DPW's consultants has increased the estimated costs for capital infrastructure elements to approximately \$45.0 million, which is \$23.0 million higher than DHS' original estimate. The final cost estimate will be known at the completion of design activities, which is expected in November, 2013.

To the extent the final cost exceeds DHS' original estimate, it will represent an increase to the overall ORCHID project budget. This increased cost may be funded with an additional allocation of commercial paper proceeds, or additional revenue received by

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DHS. The funding plan will accompany the next Board letter, which will present the final cost estimate for the required capital improvements, recommend approval of the capital project budget, and authorize DPW to deliver the projects.

The current recommendation before your Board authorizes the purchase of equipment valued at \$11.0 million. As stated in the Board letter, this equipment can be purchased within the current Board-approved budget and commercial paper allocation for the ORCHID project.

Corrective Actions

As stated in last week's memo, in order to ensure the CEO, DPW, and other affected departments are involved in the planning and development of capital improvements in the future, the CEO has advised all departments of the need to inform the CEO's Capital Projects Division of proposed or pending projects, and made adjustments to its internal communication procedures to ensure capital project requests are transmitted to the CEO's Capital Projects Division.

If your staff has any questions, they may contact Sabra White at (213) 974-1140.

WTF:SHK:DJT
SDW:zu

c: Executive Office, Board of Supervisors
 County Counsel
 Chief Information Office
 Health Services
 Public Works